

Message Text

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43

ACTION XMB-07

INFO OCT-01 EA-11 ISO-00 EB-11 OPIC-12 AID-20 CIAE-00

INR-11 NSAE-00 RSC-01 L-03 DRC-01 /078 W

----- 063853

R 140750Z AUG 74

FM AMEMBASSY SEOUL

TO USDOC WASHDC

SECSTATE WASHDC 5384

INFO US DEPARTMENT OF TREASURY

AMEMBASSY SINGAPORE

AMCONSUL HONG KONG

AMEMBASSY MANILA

UNCLAS SEOUL 5326

PASS EXIMBANK

MANILA FOR USADB

E.O. 11652: N/A

TAGS: BMEP, BEXP, EINV, KS

SUBJECT: MAJOR PROJECT, SECOND STEEL INTEGRATED MILL

1. PROJECT DESCRIPTION: ROKG PLANS ESTABLISHMENT OF SEVEN MILLION TON CAPACITY SECOND INTEGRATED STEEL MILL. PLANS CALL FOR FACILITIES RANGING FROM RAW ORE PROCESSING THROUGH HOT STRIP, PLATE AND BILLET MILLS.

2. IMPLEMENTING OFFICE:

MR. S.S. LEE, EXECUTIVE DIRECTOR
SECOND STEEL CORP. OF KOREA,
6TH FLOOR, DAEWOO BLDG.
DO-DONG, 1-KA, CHUNG-KU
SEOUL 100, KOREA

3. COST AND FINANCING: UNITED STATES STEEL ENGINEERING AND CONSULTANTS (UEC) FEASIBILITY STUDY ESTIMATES TOTAL UNCLASSIFIED

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COST FOR SUBJECT PROJECT AT \$2.7 BILLION. FINANCING TENTA-

TIVELY PLANNED AS FOLLOWS:

A. LOANS \$1.9166 BILLION

1. DOMESTIC .2515

FACILITIES .2348

WORKING CAPITAL .0167

2. FOREIGN 1.6551

IBRD-ADB (7.5 PCT) .400

EXIM BANK (8.5 PCT) .350

OTHER CONCESSIONAL

LOANS (7 PCT) .450

COMMERCIAL

LOANS (10 PCT) .4651

B. EQUITY .8214 BILLION

1. KOREAN .616

2. FOREIGN .2054

TOTAL PROJECT COST \$2.738 BILLION

ABOVE FINANCING HAS NOT YET BEEN ARRANGED.

4. EXPECTED BID DATES: N/A. CONSTRUCTION IS SCHEDULED TO START JANUARY 1978.

5. POTENTIAL U.S. SALES: PLANT WILL INCLUDE FULL RANGE OF INTEGRATED STEEL FACILITIES TO INCLUDE THREE BLAST FURNACES (INNER VOLUME 3,000 CUBIC METERS), COKE OVEN, SINTERING PLANT, STEEL MAKING SHOP (7 MILLION TON CAPACITY), THREE STEEL CONVERTORS, HOT STRIP MILL (CAPACITY 3.9 MILLION TONS OF HOT ROLL COILS WITH WIDTH OF 2,135 MM), PLATE MILL (1.75 MILLION TON CAPACITY WITH 4,725 MM WIDTH), BILLET MILL 770,000 TONS CAPACITY, ETC. MORE DETAILED INFORMATION WILL FOLLOW AS AVAILABLE.

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6. POST COMMENTS: ROKG NOW REVIEWING UEC FEASIBILITY STUDY ON SUBJECT PROJECT. ECONOMIC PLANNING BOARD (EPB) EXPECTED TO APPROVE FEASIBILITY STUDY THIS MONTH AND ROKG WILL ADOPT STUDY AS NATIONAL PLAN FOR SECOND INTEGRATED STEEL MILL. PLAN GIVES FOUR POSSIBLE SITES, WITH ASAN BAY AREA, ON WEST COAST 70 KILOMETERS FROM SEOUL, AS MOST LIKELY. PROJECT FINANCING POSES SEVERE PROBLEM FOR ROKG. BESIDES STEEL PLANT EXTENSIVE

INVESTMENT WILL BE MADE IN SUPPORTING INFRASTRUCTURE, MOST
NOT ABLY CONSTRUCTION OF HARBOR FACILITIES AT NEARBY ASAN
BAY. IN FUTURE REPORTS ASAN HARBOR DEVELOPMENT WILL BE REPORTED
AS SEPARATE PROJECT. STEEL PLANT WILL BE PRIMARILY ROKG PROJECT,
BUT ROKG WILL AGGRESSIVELY SEEK BOTH DOMESTIC AND FOREIGN
PRIVATE INVESTMENT. THIS FIRST POST CABLE ON SECOND STEEL.
MORE INFO WILL FOLLOW AS AVAILABLE.
HABIB

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